DOCUMENT RESUME

ED 316 633 UD 027 335

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TITLE Notes on the Changing Economic Status of Children in the United States: 1970-1985.
PUB DATE 90
NOTE 19p.; Paper prepared for the meeting of the European Society for Population Economics (Rotterdam, Netherlands, September 18, 1987).
AVAILABLE FROM Publications Office, The Urban Institute, 2100 M Street, NW, Washington, DC 20037.
PUB TYPE Speeches/Conference Papers (150) -- Reports - Research/Technical (143)

EDRS PRICE MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS *Children; Demography; Economic Research; *Economic Status; Educational Attainment; *Family Characteristics; Family Financial Resources; Nuclear Family; One Parent Family; *Parent Background; *Population Trends
IDENTIFIERS Current Population Survey

ABSTRACT

This document comprises a preliminary study of the causes of children's declining economic status within the income distribution between 1970 and 1985. Samples of 25-35 year old men and women for 1970 and 1985 drawn from the March "Demographic File" editions of the Current Population Survey (CPS) were analyzed. The following factors were examined: (1) differential fertility declines across educational groups; (2) the extent to which the status of children improves as birth rates regain equilibrium; and (3) the gap between the educational level of parents and the educational level of the workplace at large. The following findings are reported: (1) a decrease in the number of children in two-parent families was the most important factor contributing to the declining economic status of children, followed by an increase in the number of children in female-headed families and a decline in the economic status of less-educated working parents; (2) a projected 35 percent increase in the number of children in two-parent families due to postponed childbearing would have only a modest effect on the overall economic status of children; and (3) the gap between the educational level of parents and the educational level of the workplace widened modestly, probably due to the increased number of female family heads who are high school graduates. Seven tables of statistical data are appended. (FMW)

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Notes on the Changing Economic Status of Children in the United States: 1970-1985

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and

Richard Michel

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Notes on the Changing Economic Status of Children in the United States: 1970-1985:

by Frank Levy

and

Richard Michel[1]

I. Introduction

To judge by the popular press, family income inequality in the United States has increased dramatically in the last decade, a victim of the growing service sector, high unemployment, and more families headed by women. At first glance official statistics data do not support this view. Compared to most European countries, American family income inequality is very large large but the level of this inequality has not changed dramatically since World War II. (Table 1 - all tables are at the end of the paper.)

The contradiction between perception and the statistics can be reconciled by noting the demographic changes that have taken place within the distribution. In the early 1970's, most elderly families were in the distribution's bottom quintile. Today, many elderly families are in the distribution's second quintile (i.e.

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1 Paper prepared for the meeting of the European Society for Population Economics, Rotterdam, September 18, 1987. Levy is on the faculty of the University of Maryland's School of Public Affairs. During 1987, he is a visiting fellow at the Brookings Institution in Washington, D.C.. Michel is Director of the Income Security and Pension Policy Center of the Urban Institute in Washington, D.C.. Particular thanks go to Chuck Byce of the Brookings Instutution for programming assistance. Financial support for this paper came from the Ford Foundation, the John Simon Guggenheim Foundation, and the Brookings Institution Social Science Computer Center.

the lower middle).[2] Their vacated places at the bottom have been taken by a growing number of female headed families and, since 1980, by two-parent families hurt by the serious 1980-82 recession. Thus income inequality among prime age families has been increasing. But in aggregate statistics, this increase was offset by the improving position of the elderly.

A parallel development, and a partial byproduct of these shifts, was the deteriorating position of children within the income distribution (Table 2), Preston,1984). In relative terms, the proportion of all children in the distribution's lowest quintile has increased from 14% in 1960 and 16% in 1970 to 23% in 1985. Because these movements took place at a time of stagnant average incomes, the proportion of all children below the government's official poverty level rose from 15% in 1970 to over 20% today.[3]

It is tempting to explain the declining status of children by one factor: the growing proportion of children in families headed by women. In 1970, 11.8% of all children (under age 18) were in

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2 One important reason for this shift was the 1972 legislation which indexed Social Security benefits to the rate of inflation as measured by the Consumer Price Index. Less than a year later, the U.S. would enter a prolonged period in which wages did not keep up with inflation. See Frank Levy (1987) for a fuller account

3 The U.S. poverty income currently equals about $11,000 U.S. for a four person family. (Median U.S. family income is now about $28,000.) Government statistics modestly overstate the poverty population because they define income based only on money receipts, a procedure which ignores the effect of such non-money benefits as food stamps (coupons used to purchase food in retail shops) and publicly financed health insurance which covers about two-thirds of all poor families.

such families; by 1985, the fraction had risen to 25.1%. At a time when nearly two-thirds of U.S. two-parent families rely on two incomes, a family with children headed by a single woman is at a serious economic disadvantage and, in practice, about one-half of such families are in the distribution's bottom quintile.

But in reality, the status of children has been influenced by a larger set of factors. Begin with the fact that between 1970 and 1985, the number of women ages 15-44 increased from 40 million to 55 million. Cet.par., this would suggest a significant increase in the number of children but of course, this did not happen. Over the same years, the number of children actually declined from 70 to 64 million. A part of this decline reflected falling birth rates while a second part reflected the delayed timing of births, a new enough phenomenon to have depressed current birth rates below their true equilibrium levels. Both developments can be attributed in part to a weak U.S. economy in which young workers have had difficulty simultaneously affording both children and their own consumption aspirations (a point we return to below).[4] Thus the increasing proportion of children in female-headed families is the result of two movements: an increase of 7 million children in female headed families (+84%) and a decline of 14 million children in male headed families (-23%).

Put differently, the declining position of children was a function of people who weren't having children as well as people who were and this fact leads to three additional areas of inquiry.

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4 On the role of the weak economy in fertility, see Easterlin (1980) and Levy (1987) On delayed childbearing in the U.S., see, Baldwin and Nord (1984).

The first concerns differential fertility declines across educational groups. If fertility declines have been larger among more educated parents than less educated parents, this could cause a decline in the position of children in male headed families that would compound the effects of higher proportions of children in female headed families. This possibility merits particular examination because the earnings gap between U.S. male workers of different educational levels has grown substantially over the past 15 years.

A second area of investigation involves the extent to which the position of children improves as birth rates regain equilibrium - i.e. when sufficient time passes so that current postponements of children are offset by births among older women that were postponed several years ago. Better educated women are both more likely to postpone children and, if they have children, are more likely to have them within marriage. Consequently, children born later in the history of a cohort of women will be raised disproportionately in two-parent families and so will improve the average position of children in the cohort.

The final area of inquiry involves a different aspect of the position of children: the educational level of the children's parents. Over time, the U.S. labor force has become steadily more educated and some authors argue that something more than a high school education (12 years) will soon be required for any job that pays a living wage (Kasarda, 1986). If the deteriorating economic position of children reflects a widening gap between the educational level of parents and the educational level of the workforce at large, this does not bode well for the future.

This paper constitutes a first, tabular, look at these questions. To simplify the analysis, we will focus on samples of 25-34 year old men and women for 1970 and for 1985 (the latest data available). Both samples are drawn from the March "Demographic File" editions of the Current Population Survey (CPS) of the U.S. Bureau of the Census. The age grouping is a standard one in U.S. Census data. It is small enough to be manageable[5] but it constitutes a significant portion of the increment of people who became parents in the 1970-85 period.

The remainder of this paper is written in five sections. In Section II, we review recent wage trends in the United States which contributed, in part, to declining birthrates and the postponement of children. In Section III, we examine the changing position of children in 25-34 year old families and ask to what extent these changes were caused by (i) more female headed families; (ii) declining fertility among two-parent families; and (iii) a declining position of children <u>within</u> two parent families. In Section IV, we speculate on how the position of children among these families may change as postponed children in the cohort are born. In Section V, we compare the educational distribution of 25-34 year old parents with all 25-34 year old men (as a surrogate for younger workers) to see how, if at all, differences between the distributions have changed over time. parents in the group to the educational distribution of the group as a whole. Section VI contains a brief conclusion.

II. <u>Recent Economic Pressure on U.S. Families</u>

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5 That is, we do not need to worry about sharp age changes <u>within</u> the group as we would have to do if we were looking at, say, ages 20-44.

For many western countries, the years after 1973 have formed a kind of quiet depression, but different countries have adapted to the situation in different ways. One can think of a macro-economic possibility frontier with the rate of growth of employment along one axis and the rate growth of output per worker (productivity growth) along the other. For most western countries, this frontier shifted in after the first oil price shock of 1973. While all countries were affected by this inward shift, they did not all choose similar points on the frontier. By accident or design, many European countries emphasized continued productivity growth (and rising real wages) at the cost of high unenmployment. And by accident or design, the United States emphasized employment growth at the cost of productivity and real wages that were stagnant or declining.

Wage stagnation affected workers of all ages[6] but it was particularly hard on the young. In the 1970's, young workers were members of the large baby-boom cohorts, born between 1947 and 1963, cohorts whose large size dictated they would progress slowly even in a strong economy. Consider a young man passing from age 25 to age 35. In the 1950's or 1960's, such a man could expect increased earnings of over 100%. But a man who was 25 in 1973 saw his earnings over the next 10 years increase by only 16%.[7] As a

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6 For example in any given year, 40 year-old and 50-year-old men have similar earnings. But in the early postwar period, a man actually passing from age 40 to age 50 could expect to see a 25-35% increase in real income, not through promotions, but because wage levels were rising throughout the economy. Men who were 40 in 1973 saw their real incomes over the next 10 years decline by about 10%.

7 See for example, F. Levy and R. Michel (1986). Implicit in this description is the assumption that the general slowdown in wage growth was largely independent of the baby-boom's entrance into the labor force. The most careful research on the topic (e.g. Dennison, 1985) confirms this.

result, many children began to doubt that they would live as well as their parents.

Within this overall wage stagnation, less educated workers did particularly poorly. If we compare 30 year old men in 1973 to 30 year old men in 1985, the average annual earnings of men with a college education had declined by about 4%[8] while the average earnings of men with a high school education men declined by 15%, and the earnings of high school drop-outs had declined by about 30%. Among these less educated men, in particular the future looked increasingly uncertain.

Two trends temporarily kept stagnant wages from translating into stagnant living standards. The first was the increased reliance by husband-wife families on two incomes. The second was a birth rate which fell sharply until 1978 and thereafter remained near very low levels. U.S. Census data show that between 1973 and 1984, income per capita in husband-wife families, ages 25-44, rose by 12% but these gains were driven, in part, by the fact that declining birth rates caused the average size of these husband-wife families to fall from 4.12 to 3.56 (-14%). It is to these declining birth rates that we now turn.

III. The Experience of 25-34 year old Men and Women

To begin our examination of the position of children, we focus on marriage and family patterns of younger men and women ages 25-34. Data on children with family heads in this age range are contained in Table 3. The data show both the proportion of these children in the bottom quintile of the income distribution increasing from 17.8% in 1970 to 27.5 percent in 1985.

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8 Again, in healthier times, one would have expected this statistic to grow by about 25% over 12 years.

The data in Tables 3,4, and 5, show that this decline was the combined result of several forces. The first of these, of course, was the growing proportion of children in female headed families: 27.% of such children in 1985 up from 14% of such children in 1970. But this shift, as we have noted, reflected two trends. Consider two ratios:

A) The Number of Children in Families Headed by Women, 25-34.
All Women, 25-34

B) The Number of Children in Families Headed by Men, 25-34
All Men, 25-34.

Between 1970 and 1985, the first ratio increased from .22 to .29 while the second ratio decreased from 1.53 to .76. These ratios imply that the rising proportion of children in female headed families was due far more to declining numbers of children (including postponments) in two-parent families than to a rapidly increasing rate of children born out of wedlock. The relatively steady marriage rates in Table 4 for all men (except high school drop outs) underline the point. They show that the decline in the ratio (B) above came from a decline in children per two-parent family rather than a decline in the formation of two-parent families. As an accounting excercise, one can calculate that if (A) had increased from .22 to .29 (+.07) while (B) had only fallen by an equivalent amount from 1.53 to 1.46 (-.07) the proportion of children in female headed households would have increased from 14.4% to 16.5% rather than 27.3%.

The poor economy, of course, was only one reason for the declining number of children per two-parent familiy. A second reason was women's increased career interests (Butz and Ward,

1979). And some part of the decline reflected postponed children who will ultimately be born, a fact we shall return to below. Nonetheless, rapidly declining birth rates among two-parent families have contributed to a growing proportion of children being raised in single parent families, for the most part, in bad economic circumstances.

Beyond this, the data in Table 3 show that children in two parent families were not immune from economic decline. Among children in two-parent families with a 25-34 year-old father, the proportion in the lowest quintile of the family income distribution[9] rose from 9% in 1970 to 14% in 1985. In Section I, we argued that such declines among two parent families had two possible explanations. One was a differential fertility decline in which more educated workers made relatively greater reductions in family size. The other was the growing gap between the earnings of more and less educated workers.

Data on differential fertility is contained in Table 4 and suggest this factor was not operating. The last column in the table calculates the ratio (B) above for men of different educational levels and shows that this ratio declined by 42-44% for men of all educational groups except college graduates (i.e. exactly four years of college) where the drop was 52%. These data indicate that the number of children per two-parent family declined by roughly equal percentages across all educational groups and so cannot explain the declining position of children in two parent families.

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9 That is, the income distribution for families of all ages.

Conversely, other tabulations (not reproduced here) suggest that the declining position of less educated workers are responsible for much of the decline. For example, among two-parent families with children where the father has 12 or less years of education, the proportion in the family income distribution's lowest quintile rose from 11% in 1970 to 18% in 1985. Among similar families where the father has a college education, the corresponding proportion rose from 2% to 3%.

In sum, declining family size among two parent families, an increasing number of children in female headed families, and the declining position of less educated workers all contributed to the deteriorating position of children in the income distribution. But of these, the first factor was by far the most important.

IV. The Impact of Completed Fertility

In Section III, we noted that the current fertility of families in the 25-34 year age range does not reflect their completed fertility. In 1985, wives aged 25-34 had an average of 1.60 children and expected to have a completed family size of 2.20 (U.S. Census, 1985). By themselves these figures suggest the numbers of children in two-parent families will ultimately increase by about 35%.

There are a number of qualifications to this estimate. Not all of these women will remain in female headed families and women now in female headed families will also have additional children. Conversely, some current female heads in the cohort will .ltimately remarry while other currently single women in the cohort will eventually marry and have children. For illustrative purposes then, it is useful to estimate the change that would

occur in the children's status if the number of children in two-parent families increased by 35%. Those results are displayed in Table 6 and show that children's position in the income distribution will increase only modestly. This should not suprise us. We noted in Section III that the average number of children in 25-34 year old two-parent families had dropped by a little more than half. A 35% increase from this lower base would still leave the number of children per family about one-third smaller than it had been in 1970 with a resulting modest effect on the economic status of children.

V. The Distribution of Parents' Education

We turn now to our final question: Does the declining status of children mean there is a growing gap between the educational status of parents and the educational status of the workforce at large. The declining economic status of children, by itself, suggests future problems for the U.S. labor force. A deterioration (absolute or relative) in the educational level of parents would in all probability compound this problem.

Again, there are two general mechanisms by which such a gap could arise. One we have already ruled out: the possibility that among two-parent families, children are increasingly concentrated among parents with lower education (see Table 3). The second is that women heading female headed families have very low levels of education and so the growing proportion of children in such families produces a decline in parental education.

Table 7 compares the educational distribution of two groups: all 25-34 year old men, and all 25-34 year old heads of families with children (where the second distribution has been weighted by

the number of children in each family). The data show that in both 1970 and 1985, the distribution of heads' education (i.e. parents) is lower than the educational distribution of all men in the cohort. The difference has grown modestly but not as dramatically as the declining economic status of children might suggest. Additional tabulations (not reported here) suggest the gap has not grown larger because female family heads are far more likely to have graduated high school in 1985 than in 1973.

VI. Conclusions

In this paper we have conducted a preliminary exploration into the causes of children's declining status within the income distribution. The proximate cause of this decling is the growing proportion of children in female headed households. But in reality, this proportion reflects the rapid decline in family size among two-parent families rather than an increase in the rate of children in female headed families per se. The relative drop in earnings for less educated men also contributed to this. The eventual birth of postponed children of men and women in the cohort will not improve the distribution appreciably

In subsequent papers, we will investigate these distributional issues in more detail including such dimensions as racial differences and the distribution of estimated years of completed education for these children.

Table 1
The Shape of the Family Income Distribution
in the Post World War II Period
Share of Total Family Income Going to Each Quintile

	1st (poorest)	2nd-4th (combined)	5th (richest)
1949	5.0%	51.8%	42.7%
1959	4.9%	54.0%	41.1%
1969	5.6%	53.8%	40.6%
1979	5.2%	53.2%	41.7%
1984	4.7%	52.4%	42.9%

Table 2

Position of Children in the Family Income Distribution
by Family Type: 1970, 1985

	Q1	Q2	Q3	Q4	Q5
1970	15.7%	19.4	22.1	22.0	21.1
1985	23.6%	18.7	20.3	20.2	17.4

Table 3

Position of Children in the Family Income Distribution:
Children of 25-34 year-old Family Heads, by Family Type
1970, 1985

(Proportion of children in type of family)	Q1	Q2	Q3	Q4	Q5
All Families					
1970	17.8%	23.3	26.1	21.9	10.9
1985	27.5%	22.0	23.2	18.0	9.0
Two-Parent Families					
1970 (85.6%)	8.5%	23.8	29.5	25.5	12.5
1985 (72.7)	14.0%	23.4	28.1	22.9	11.5
Female-Headed Families					
1970 (14.4)	71.8%	20.2	5.9	1.0	1.2
1985 (27.3)	62.5%	19.0	10.5	5.2	2.6

Table 4

Rates of Marriage and Living With Children Among Men, Ages, 25-34: 1970, 1985

Number of Men (millions) by yrs. of ed.	Percent Married	Percent Married w. child	Children per Man (All*)
< 12 yrs.			
1970 2.9	.80	.68	1.82
1985 2.7	.71	.47	1.05 (-43%)
12 yrs.(H.S.)			
1970 5.0	.85	.69	1.61
1985 8.0	.79	.48	.94 (-42%)
13-15 yrs.			
1970 2.0	.83	.63	1.37
1985 4.4	.81	.51	.79 (-43%)
16 yrs.(college)			
1970 1.4	.84	.59	1.24
1985 3.2	.91	.38	.65 (-52%)
16 yrs.<			
1970 1.1	.92	.56	1.13
1985 1.9	.91	.37	.64 (-44%)

* Total children in two-parent families divided by total men in the cohort.

Table 5
Rates of Female Headship Among Women,
Ages, 25-34: 1970, 1985

Number of Women (millions) by yrs. of ed.	Children in Female Headed Family per Woman in cohort (all*)
< 12 yrs.	
1970 3.2	.50
1985 2.7	.75 (+50%)
12 yrs.(H.S.)	
1970 6.2	.17
1985 8.8	.33 (+94%)
13-15 yrs.	
1970 1.8	.14
1985 4.6	.27 (+93%)
16 yrs.(college) or more	
1970 1.6	.06
1985 4.6	.10 (+67%)

* Total children in female-headed families headed by a woman age 25-34, divided by all women ages 25-34.
the cohort.

Table 6

1985 Position of Children in the Income Distribution and
Estimated Position Assuming Completed Fertility of the Cohort
(Children in Families with Head, 25-34 years Old in 1985)

	Q1	Q2	Q3	Q4	Q5
1985	27.5%	22.0	23.2	18.0	9.0
1985 Comp. Fer.	24.6%	22.%	24.2	19.0	9.5

Table 7

The Educational Distribution of 25-34 Year Old Parents* And All 25-34 Year Old Men: 1970 and 1985.

	1970			1985		
	Men	Parents	(P-M)	Men	Parents	(P-M)
<12 Yrs.	23.2%	31.1	7.9	13.5	20.2	6.7
12 Yrs.(HS)	40.4%	41.7	1.3	39.4	43.8	2.0
13-15 Yrs.	16.2%	13.6	-2.6	22.0	20.0	-2.0
16 Yrs(col)	11.3%	7.9	-3.4	15.5	10.1	-5.4
>16 Yrs.	8.9%	5.7	-3.2	9.6	5.9	3.7
Totals	100%	100%	0.0	100%	100%	0.0

Source of tables: Table 1, U.S. Census, Current Population Reports, Series P-60, No 151; Tables 2-7, authors' tabulations of Current Population Survey Microdata files.

Paper References to Follow